

**THE COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF PUBLIC UTILITIES**

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THE BERKSHIRE GAS COMPANY

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D.T.E. 04-38

Petition  
of  
The Berkshire Gas Company  
for Expanded Funding for Existing Residential Energy  
Efficiency Programs and Recovery of Energy Efficiency Related Costs in the Period  
Commencing  
September 1, 2008 and Ending April 30, 2009

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COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

D.T.E. 04-38

1. Petitioner The Berkshire Gas Company (“Berkshire” or the “Company”) is a gas company organized under the laws of the Commonwealth of Massachusetts, engaged in the business, among others, of selling and distributing gas at retail in Massachusetts.

2. The design, implementation, and cost recovery of the Company’s energy efficiency (also referred to as demand-side management (“DSM”)) programs are subject to the jurisdiction of the Department of Public Utilities (“Department”) under the provisions of M.G.L. c. 164 and Chapter 169 of the Acts of 2008, an Act Relative to Green Communities (the “Act”).

3. In accordance with the procedures and schedules adopted by the Department in the Memorandum of the Hearing Officer dated August 1, 2008, the Company submits this petition with respect to expanded funding for its residential energy efficiency programs (and recovery of costs related thereto), as well as certain limited program enhancements, all for effect during the period commencing September 1, 2008 and ending April 30, 2009 (the "Heating Season").

4. By way of background, the Company currently operates comprehensive energy efficiency programs targeting the residential and commercial & industrial ("C&I") customer sectors. These programs are operated pursuant to the Settlement Agreement approved in The Berkshire Gas Company, D.T.E. 04-38 (September 13, 2000) (the “D.T.E. 04-38 Settlement”). The D.T.E. 04-38 Settlement built upon the energy efficiency programs developed and approved in the Company's previous DSM settlements in The Berkshire Gas Company, D.T.E. 01-29 (August 10, 2001) (the “D.T.E. 01-29 Settlement”), The Berkshire Gas Company, D.P.U. 91-154 (October 6, 1992) (the "D.P.U. 91-154 Settlement"); The Berkshire Gas Company, D.P.U. 94-168 (August 21, 1995) (the "D.P.U. 94-168 Settlement"); The Berkshire Gas Company, D.P.U. 96-92 (December 20, 1996) (the “D.P.U. 96-92 Settlement”); and The Berkshire Gas Company, D.T.E. 98-93 (May

17, 1999).

5. The Company has kept the Department and other interested parties apprised of its progress in implementing its energy efficiency programs pursuant to the D.T.E. 04-38 Settlement in a series of periodic reports as required under such Settlement, including six-month, nine-month and annual reports, all in the templates established in the D.T.E. 04-38 Settlement. Indeed, the Company has used this annual reporting template in Attachment A of the testimony of its witness in this proceeding, Mr. Michael J. Sommer, in order to set forth its proposal for expanded funding and program enhancements for the upcoming Heating Season. The Company's residential programs have been well-accepted and the Company is coordinating implementation of its efforts targeting low-income customers with the non-profit, weatherization assistance program agencies in its service territories, all as provided in the D.T.E. 04-38 Settlement.

6. On July 16, 2008, the Department of Energy Resources ("DOER") filed a letter with the Department requesting that the Department consider an immediate increase in funding for energy efficiency programs targeted at residential heating end-uses, stating that "we must do all we can to help residents cope with what will likely be high heating bills this winter." The Department agreed that there is an urgent need to expand funding for existing residential gas and electric efficiency programs in order to respond to the potential for high heating costs in the coming months. Accordingly, by letter dated July 25, 2008, the Department required that all energy efficiency Program Administrators increase spending for residential heating programs effective as soon as feasible, and covering the 2008 winter season (the "July 25, 2008 Letter").<sup>1</sup> Additionally, the Department held a technical conference on July 29, 2008 to discuss issues and concerns that the Program Administrators, the Attorney General and non-utility parties may have with implementing funding increases. Following this Technical Conferences by Memorandum of the Hearing Officer

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<sup>1</sup> The Department limited the funding increases to residential and low-income programs at this time. July 25, 2008 Letter at p.1.

dated August 1, 2008, the Department required that the Company submit its proposal for expanded funding for residential programs on or before August 15, 2008. The Company is filing this Petition in accordance with these directives and this Petition and the attached materials contain the Company's proposed expanded Heating Season program budgets, that will allow for the implementation of a maximum achievable level of cost-effective expenditures on residential heating programs for the remainder of the Heating Season.<sup>2</sup>

7. More specifically, in today's filing, the Company is requesting approval for expanded funding of the residential programs approved in the D.T.E. 04-38 Settlement. This expanded budget is set forth in Attachment A of Mr. Sommer's testimony and is supported by the testimony of Mr. Sommer. The Company is also proposing certain enhancements to the effort approved in the D.T.E. 04-38 Settlement based on current market conditions, in-the-field experience, and discussions with the DOER. These enhancements are also set forth in Attachment A.

8. The Company emphasizes that Attachment A of Mr. Sommer's testimony is expressly patterned on the collaboratively-developed Annual Report template set forth in the D.T.E. 04-38 Settlement and successfully used for the past four years by the Company and numerous other Program Administrators. Use of this format should enhance and facilitate the Department's review. In particular, Attachment A contains the following schedules, each of which schedules is in the format established in the D.T.E. 04-38 Settlement:

Schedule 1 – Actual Program Expenditures Participants and Savings for the period May 1, 2007 through April 30, 2008. This schedule has not changed since the Company's June 30, 2008 Annual Report.

Schedule 2 – Residential Energy Efficiency Program Changes. This schedule updates the

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<sup>2</sup> As discussed at the July 29, 2008 Technical Conference, the Company notes that achievable savings are necessarily limited by infrastructure matters (e.g. the level of qualified contractors in the field) and the need to

schedule filed in the Company's June 30, 2008 Annual Report and sets forth the residential program enhancements proposed by the Company, which in general increase the level of Company rebates in well-established, pre-approved programs in order to facilitate participation for the Company's customers. Many of the program enhancements are based on discussions with DOER, other LDCs, DSM contractors and in-the-field experience. Because cost-effectiveness is measured using the D.T.E. 98-100 Total Resource Cost Test, which factors in all program costs regardless of the amount underwritten by the sponsoring utility, increasing such rebate levels does not negatively impact cost-effectiveness.

Schedule 3 – Low-Income Energy Efficiency Program Changes. This schedule updates the schedule filed on June 30, 2008 and sets forth the low-income program enhancements proposed by the Company, which in general increase the level of Company rebates in well-established, pre-approved programs in order to facilitate participation for the Company's customers. Many of the program enhancements are based on discussions with DOER, other LDCs, DSM contractors and in-the-field experience. Because cost-effectiveness is measured using the D.T.E. 98-100 Total Resource Cost Test, which factors in all program costs regardless of the amount underwritten by the sponsoring utility, increasing such rebate levels does not negatively impact cost-effectiveness.

Schedule 4 – C&I Energy Efficiency Program Changes. This schedule has not changed since the Company's June 30, 2008 Annual Report.

Schedule 5 – Energy Efficiency Forecasted Program Budget for the Period May 1, 2008 through April 30, 2009. This schedule updates the schedule filed with the Company's June 30, 2008 Annual Report and provides for expanded funding for the Company's residential heating efforts consistent with the Department's requirements. The increased funding levels set forth in Schedule 5 were determined after the Company reviewed historic data, held informal discussions with interested parties and other LDCs, reviewed infrastructure constraints and examined quality

control concerns. The proposed increase represents an increase of twenty-five percent (25%) of the residential and low-income budget set forth in the Company's June 30, 2008 Annual Report. Relatedly, the Company notes that through Year Four of its Five-Year Period, and as reported in its periodic Annual Reports and as reviewed in periodic cost of Gas Adjustment Clause filings, it has expended \$3,200,622 in total of its overall pre-approved budget of \$3,772,247 (adjusted to \$3,797,351 in the Company's periodic Annual Reports) from the D.T.E. 04-38 Settlement. In order that the Company not be in a position where it needs to review ramping residential or C&I programs down in advance of the end of the D.T.E. 04-38 Settlement pre-approval period, as part of its request for increasing funding for the upcoming Heating Season, the Company hereby requests that its overall (residential and C&I) five-year pre-approval expenditure amount for the D.T.E. 04-38 Settlement be increased from \$3,772,247 (adjusted to \$3,797,351 in the Company's periodic Annual Reports) to \$4,237,351, which overall amount includes the expanded residential funding sought herein and reflects the Company's best estimate of all residential and C&I expenditures through the Heating Season.

Schedule 6 – Benefit Cost Ratios (BCRs) by Program for the Period May 1, 2008 through April 30, 2009. Given the very robust benefit cost ratio of 3.60 for the Company's energy efficiency effort set forth in the Company's June 30, 2008 Annual Report, this schedule has not been updated. The incremental benefit of achieving greater precision in the projected BCR did not, in the Company's judgment, merit the expense of retaining its outside vendor and preparing a new BCR analysis for this filing (which filing is being conducted on an expedited basis consistent with the Department's August 1, 2008 procedural schedule). The increased funding for measures proposed herein for programs already found to be cost-effective in the D.T.E. 04-38 Settlement would not have a material negative impact on the numbers set forth in Schedule 6 and may serve to increase BCRs somewhat because increased savings will be achieved and the Company has not proposed proportionately higher expenditures in administrative, marketing and evaluation costs.

Schedule 7 – Performance Incentives for the Period May 1, 2008 through April 30, 2008.

With respect to last year's performance incentives, Schedule 7 has not changed from the Company's June 30, 2008 Annual Report. This retrospective analysis is set forth in Schedule 7.A. The Company has proportionately adjusted forward-looking residential performance incentives to reflect the expanded funding required for the upcoming heating season. These forward-looking goals for the period ending April 30, 2009 are set forth in Exhibit 7-B. The Company notes that, as required by the D.T.E. 04-38 Settlement, this performance incentive utilizes the Department's D.T.E. 98-100 Final Guidelines with respect to incentives.

9. Also, the Company hereby seeks to be afforded the discretionary flexibility, during the Heating Season, to expend up to ten percent (10%) in excess of the amounts set forth in Attachment A of Mr. Sommer's testimony without the need for advance Department approval, in the event market conditions allow for such additional expenditure. This proposed flexibility should heighten administrative efficiency and, at the same time, preserve the Department's need to oversee implementation and protect against excessive billing impacts.

10. During the Heating Season, the Company proposes to continue to recover its costs, along with all incentives and lost margins, through the conservation charge ("CC") cost recovery mechanism reviewed and approved in the D.T.E. 04-38 Settlement. More specifically, pursuant to the D.T.E. 04-38 Settlement, the Company currently recovers expenses related to energy efficiency activities, including lost margins (subject to the Rolling Period Methodology) and incentives, through the CC cost recovery mechanism, which mechanism is a component of the Cost of Gas Adjustment Clause and the applicable Local Distribution Adjustment Factor ("LDAF") (M.D.T.E. No. 330). The Company hereby requests approval of continuing recovery of DSM-related costs through the CC mechanism (and all other elements of the D.T.E. 04-38 Settlement) during the Heating Season.

11. Building upon the success of the D.P.U. 91-154, D.P.U. 94-168, D.P.U. 96-92,

D.T.E. 98-93, D.T.E. 01-29 and D.T.E. 04-38 Settlements, the Company would be pleased to participate in settlement discussions or technical sessions at any time found to be convenient by the Department and other interested parties. The Company appreciates the Department's expedited schedule for review in this proceeding. The goals and budgets set forth herein are based on an assumption of effectiveness on September 1, 2008. If that date is not achieved, such goals and budgets would be appropriately adjusted.

WHEREFORE, your petitioner, The Berkshire Gas Company hereby respectfully requests as follows:

(a) That the Department approve expanded funding and program enhancements for the Company's residential energy efficiency programs for effectiveness during the period commencing September 1, 2008 and ending April 30, 2009 as set forth herein and in Attachment A of Mr. Sommer's testimony;

(b) That the Department approve the Company's recovery of the costs (including recovery of incentives and lost margins) of such energy efficiency programs through the CC component of the LDAF;

(c) That the Department approve and ratify the Company's ongoing implementation of the D.P.U. 04-38 Settlement in all other respects; and

(d) That the Department provide such other and further relief as may be necessary or appropriate.

Respectfully submitted by,

THE BERKSHIRE GAS COMPANY

By its attorneys,

RICH, MAY, A PROFESSIONAL CORPORATION

/s/ Emmett E. Lyne

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Dated: August 15, 2008

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COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

D.T.E. 04-38

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 220 CMR 1.05(1) (Department's Rules of Practice and Procedure).

Dated at Boston, Massachusetts this 15<sup>th</sup> day of August 2008.

/s/ Emmett E. Lyne  
Emmett E. Lyne  
Counsel

Of Counsel for

The Berkshire Gas Company